

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY  
Regular Audit  
For the Years Ended December 31, 2012 and 2011**

***Perry & Associates***  
Certified Public Accountants, A.C.





# Dave Yost • Auditor of State

Board of Trustees  
Franklin Township  
2193 Frank Road  
Columbus, Ohio 43223

We have reviewed the *Independent Auditors' Report* of Franklin Township, Franklin County, prepared by Perry & Associates, Certified Public Accountants, A.C., for the audit period January 1, 2011 through December 31, 2012. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them. In conjunction with the work performed by the Independent Public Accountant, the Auditor of State is issuing the following:

## **Finding for Recovery Repaid Under Audit**

*State ex rel. McClure v. Hagerman, 155 Ohio St. 320 (1951)*, provides that expenditures made by a governmental unit should serve a public purpose. Typically the determination of what constitutes a "proper public purpose" rests with the judgment of the governmental entity, unless such determination is arbitrary or unreasonable. Even if a purchase is reasonable, Ohio Attorney General Opinion 82-006 indicates that it must be memorialized by a duly enacted ordinance or resolution and may have a prospective effect only. Auditor of State Bulletin 2003-005, *Expenditure of Public Funds/Proper Public Purpose*, indicates that the Auditor of State's Office will only question expenditures where the legislative determination of a public purpose is manifestly arbitrary and incorrect.

ORC Sections 505.24 and 507.09 provide that township trustee and fiscal officer salaries are based on the annual budget of the township. The scheme for cost of living increases was altered in 2000 when the General Assembly passed legislation continuing the cost of living increase through 2008. No cost of living adjustments have been granted since 2008. The Township Handbook, published by the Auditor of State, cites Attorney General Opinion 99-015 which defines a "budget" as "based upon the official certificate of estimated resources, and any amended official certificates, received from the county budget commission." (1992 Op. Att'y Gen. No. 92-003)

During fiscal year 2011, the fiscal officer Lisa Morris and Trustees Donald Cook, Timothy Guyton, and Paul Johnson were over compensated in excess of the amounts authorized by Ohio Rev. Code Sections 505.24 and 507.09 as shown in the table below,.

2011		Allowable Amount	Amount Paid	<i>Variance</i>
Lisa Morris	FO	\$24,355.00	\$24,774.86	<b>\$419.86</b>
Donald Cook	Trustee	\$15,998.00	\$16,531.23	<b>\$533.23</b>
Timothy Guyton	Trustee	\$15,998.00	\$16,531.23	<b>\$533.23</b>
Paul Johnson	Trustee	\$15,998.00	\$16,531.23	<b>\$533.23</b>

In accordance with the foregoing facts and pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery for public monies illegally expended is hereby issued against fiscal officer Lisa Miller, Trustees Donald Cook, Timothy Guyton, and Paul Johnson in the amounts of \$419.86, \$533.23, \$533.23 and \$533.23 respectively and in favor of Franklin Township.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.* (1929), 120 Ohio St. 47; 1980 Op. Att’y Gen. No. 80-074; Ohio Rev. Code Section 9.39; *State, ex. Rel. Village of Linndale v. Masten* (1985), 18 Ohio St.3d 228. Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property (1980 Op. Att’y Gen. No. 80-074).

The above finding were repaid by each respective party and recorded as a receipt in the Township’s General fund.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. Franklin Township is responsible for compliance with these laws and regulations.

Franklin Township  
2193 Frank Road  
Columbus, Ohio 43223

Page -3-

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost  
Auditor of State

April 4, 2014

**This page intentionally left blank.**

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2012.....	3
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Cash Basis) - All Governmental Fund Types - For the Year Ended December 31, 2011.....	4
Notes to the Financial Statements.....	5
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	14
Schedule of Audit Findings .....	16
Schedule of Prior Audit Findings .....	20

# *Perry & Associates*

Certified Public Accountants, A.C.

www.perrycpas.com

MARIETTA

428 Second Street  
Marietta, OH 45750  
(740) 373-0056  
(740) 373-2402 Fax

PARKERSBURG

1035 Murdoch Avenue  
Parkersburg, WV 26101  
(304) 422-2203  
(304) 428-5587 Fax

ST. CLAIRSVILLE

121 E. Main Street  
St. Clairsville, OH 43950  
(740) 695-1569  
(740) 695-5775 Fax

## INDEPENDENT AUDITOR'S REPORT

September 24, 2013

Franklin Township  
Franklin County  
2193 Frank Road  
Columbus, Ohio 43223

To the Board of Trustees:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements and related notes of **Franklin Township**, Franklin County, (the Township) as of and for the years ended December 31, 2012 and 2011.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fair presenting financial statements free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Township's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Township's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.



***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1B of the financial statements, the Township prepared these financial statements using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03, which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy requirements.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Township as of December 31, 2012 and 2011, or changes in financial position thereof for the years then ended.

***Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined cash balances of Franklin Township, Franklin County, as of December 31, 2012 and 2011, and its combined cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits, described in Note 1B.

***Emphasis of Matter***

As discussed in Note 1F to the financial statements, during 2011 the Township adopted new accounting guidance in Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Our opinion is not modified with respect to this matter.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2013, on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Township's internal control over financial reporting and compliance.

Respectfully Submitted,



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 67,762	\$ 3,966,059	\$ -	\$ 4,033,821
Charges for Services	-	1,096,478	-	1,096,478
Licenses, Permits and Fees	95,790	100,242	-	196,032
Fines and Forfeitures	4,439	23,067	-	27,506
Intergovernmental	520,130	444,394	-	964,524
Special Assessments	-	6,811	-	6,811
Miscellaneous	24,475	88,757	-	113,232
<i>Total Cash Receipts</i>	<u>712,596</u>	<u>5,725,808</u>	<u>-</u>	<u>6,438,404</u>
<b>Cash Disbursements</b>				
Current:				
General Government	391,788	19,359	-	411,147
Public Safety	51,900	5,991,908	-	6,043,808
Public Works	-	389,949	-	389,949
Health	4,520	-	-	4,520
Capital Outlay	52,365	68,196	-	120,561
Debt Service:				
Principal Retirement	30,596	98,148	-	128,744
Interest and Fiscal Charges	329	8,597	-	8,926
<i>Total Cash Disbursements</i>	<u>531,498</u>	<u>6,576,157</u>	<u>-</u>	<u>7,107,655</u>
Excess of Receipts Over (Under) Disbursements	<u>181,098</u>	<u>(850,349)</u>	<u>-</u>	<u>(669,251)</u>
<b>Other Financing Receipts (Disbursements)</b>				
Sale of Capital Assets	-	239	-	239
Transfers In	-	144,750	-	144,750
Transfers Out	(144,750)	-	-	(144,750)
Advances In	-	320,000	-	320,000
Advances Out	(320,000)	-	-	(320,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(464,750)</u>	<u>464,989</u>	<u>-</u>	<u>239</u>
<i>Net Change in Fund Cash Balances</i>	(283,652)	(385,360)	-	(669,012)
<i>Fund Cash Balances, January 1</i>	<u>1,012,135</u>	<u>1,013,040</u>	<u>8,834</u>	<u>2,034,009</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	627,680	8,834	636,514
Unassigned	728,483	-	-	728,483
<i>Fund Cash Balances, December 31</i>	<u>\$ 728,483</u>	<u>\$ 627,680</u>	<u>\$ 8,834</u>	<u>\$ 1,364,997</u>

The notes to the financial statements are an integral part of this statement.

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY**

**COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN FUND BALANCES (CASH BASIS)  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals (Memorandum Only)</u>
<b>Cash Receipts</b>				
Property and Other Local Taxes	\$ 70,739	\$ 4,200,067	\$ -	\$ 4,270,806
Charges for Services	-	1,048,576	-	1,048,576
Licenses, Permits and Fees	128,746	8,345	-	137,091
Fines and Forfeitures	4,717	19,113	-	23,830
Intergovernmental	734,059	616,929	-	1,350,988
Special Assessments	-	2,556	-	2,556
Earnings on Investments	3,337	210	-	3,547
Miscellaneous	19,057	74,157	-	93,214
<i>Total Cash Receipts</i>	<u>960,655</u>	<u>5,969,953</u>	<u>-</u>	<u>6,930,608</u>
<b>Cash Disbursements</b>				
Current:				
General Government	415,629	-	-	415,629
Public Safety	-	5,747,865	-	5,747,865
Public Works	28	436,257	-	436,285
Health	25,397	-	-	25,397
Capital Outlay	28,730	36,269	-	64,999
Debt Service:				
Principal Retirement	7,109	111,791	-	118,900
Interest and Fiscal Charges	-	14,224	-	14,224
<i>Total Cash Disbursements</i>	<u>476,893</u>	<u>6,346,406</u>	<u>-</u>	<u>6,823,299</u>
Excess of Receipts Over (Under) Disbursements	<u>483,762</u>	<u>(376,453)</u>	<u>-</u>	<u>107,309</u>
<b>Other Financing Receipts (Disbursements)</b>				
Sale of Capital Assets	-	19,327	-	19,327
Transfers In	-	51,753	-	51,753
Transfers Out	(51,753)	-	-	(51,753)
Advances In	475,000	900,000	-	1,375,000
Advances Out	(900,000)	(475,000)	-	(1,375,000)
Other Financing Uses	(137)	-	-	(137)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(476,890)</u>	<u>496,080</u>	<u>-</u>	<u>19,190</u>
<i>Net Change in Fund Cash Balances</i>	6,872	119,627	-	126,499
<i>Fund Cash Balances, January 1</i>	<u>1,005,263</u>	<u>893,413</u>	<u>8,834</u>	<u>1,907,510</u>
<b>Fund Cash Balances, December 31</b>				
Restricted	-	1,013,040	8,834	1,021,874
Unassigned	<u>1,012,135</u>	<u>-</u>	<u>-</u>	<u>1,012,135</u>
<i>Fund Cash Balances, December 31</i>	<u>\$ 1,012,135</u>	<u>\$ 1,013,040</u>	<u>\$ 8,834</u>	<u>\$ 2,034,009</u>

The notes to the financial statements are an integral part of this statement.

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

The constitution and laws of the State of Ohio establish the rights and privileges of Franklin Township, Franklin County, Ohio (the Township), as a body corporate and politic. A publicly-elected three-member Board of Trustees directs the Township. The Township provides general governmental services including road and bridge maintenance, cemetery maintenance, EMS services, and fire protection services.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

**B. Accounting Basis**

These financial statements follow the accounting basis the Auditor of State prescribes or permits. This basis is similar to the cash receipts and disbursements accounting basis. The Township recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as the Auditor of State prescribes or permits.

**C. Deposits and Investments**

The Township's accounting basis includes investments as assets. This basis does not record disbursements for investment purchases or receipts for investment sales. This basis records gains or losses at the time of sale as receipts or disbursements, respectively.

The Township values repurchase agreements at cost.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

The General Fund accounts for and reports all financial resources not accounted for and reported in another fund.

**2. Special Revenue Funds**

These funds account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. The Township had the following significant Special Revenue Funds:

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Fund Accounting (Continued)**

**2. Special Revenue Funds (Continued)**

Fire Levy Fund - This fund receives property tax money for providing fire protection and emergency medical services for Township residents.

Police Levy Fund - This fund receives property tax money for providing police protection and public safety for Township residents.

**3. Capital Project Funds**

These funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. The Township had the following significant Capital Project Fund:

Permanent Improvement Fund - This fund provides permanent constructions for the Township.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Appropriations lapse at year-end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are canceled, and reappropriated in the subsequent year. The Township did not encumber all commitments required by Ohio Law.

A summary of 2012 and 2011 budgetary activity appears in Note 3.

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Fund Balance**

In 2011 the Township adopted Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which had no effect on fund balances. Fund balance is divided into five classifications based primarily on the extent to which the Township must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

**1. Nonspendable**

The Township classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact.

**2. Restricted**

Fund balance is *restricted* when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or it is imposed by law through constitutional provisions.

**3. Committed**

Trustees can *commit* amounts via formal action (resolution). The Township must adhere to these commitments unless the Trustees amend the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

**4. Assigned**

Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by Township Trustees or a Township official delegated that authority by resolution, or by State Statute.

**5. Unassigned**

Unassigned fund balance is the residual classification for the general fund and includes amounts not included in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Fund Balance (Continued)**

The Township applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**G. Property, Plant, and Equipment**

The Township records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statements do not report these items as assets.

**H. Accumulated Leave**

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statements do not include a liability for unpaid leave.

**2. EQUITY IN POOLED DEPOSITS AND INVESTMENTS**

The Township maintains a deposit and investments pool all funds use. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of deposits and investments at December 31 was as follows:

	2012	2011
Demand Deposits	\$ 657,194	\$ 688,572
Total Deposits	657,194	688,572
Repurchase Agreement	707,803	1,345,437
Total Investments	707,803	1,345,437
Total Deposits and Investments	\$ 1,364,997	\$ 2,034,009

**Deposits:** Deposits are insured by the Federal Deposit Insurance Corporation or collateralized by the financial institution's public entity deposit pool.

**Investments:** The Township's financial institution transfers securities to the Township's agent to collateralize repurchase agreements. The securities are not in the Township's name.

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011  
(Continued)**

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ended December 31, 2012 and 2011 follows:

2012 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 996,783	\$ 712,596	\$ (284,187)
Special Revenue	5,795,288	5,870,797	75,509
Capital Projects	50,000	-	(50,000)
Total	\$ 6,842,071	\$ 6,583,393	\$ (258,678)

2012 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 2,039,337	\$ 676,248	\$ 1,363,089
Special Revenue	6,761,482	6,576,157	185,325
Capital Projects	58,834	-	58,834
Total	\$ 8,859,653	\$ 7,252,405	\$ 1,607,248

2011 Budgeted vs. Actual Receipts			
Fund Type	Budgeted Receipts	Actual Receipts	Variance
General	\$ 909,578	\$ 960,655	\$ 51,077
Special Revenue	6,305,343	6,041,033	(264,310)
Total	\$ 7,214,921	\$ 7,001,688	\$ (213,233)

2011 Budgeted vs. Actual Budgetary Basis Expenditures			
Fund Type	Appropriation Authority	Budgetary Expenditures	Variance
General	\$ 1,914,812	\$ 528,783	\$ 1,386,029
Special Revenue	7,198,537	6,346,406	852,131
Capital Projects	8,834	-	8,834
Total	\$ 9,122,183	\$ 6,875,189	\$ 2,246,994

Contrary to Ohio law, appropriation authority exceeded total estimated resources in the General, Road and Bridge, and Gasoline Tax Funds for the year ended December 31, 2012.



**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

(Continued)

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which the Trustees adopted tax rates. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. The financial statements include homestead and rollback amounts the State pays as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to pay semiannually, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**5. DEBT**

Debt outstanding at December 31, 2012 was as follows:

	Principal	Interest Rate
OPWC Loan	\$ 56,870	0.00%
Total	\$ 56,870	

The Township was awarded an interest free loan from Ohio Public Works Commission (OPWC) for the Geneva Avenue Sewer project. The loan is repaid from the General Fund. The prior audit report showed an outstanding balance of \$67,534. As confirmed on the OPWC website, this balance was incorrect. The actual outstanding balance was \$71,088.

Amortization of the above debt is scheduled as follows:

Year ending December 31:	OPWC Loan
2013	\$ 7,109
2014	7,109
2015	7,109
2016	7,109
2017	7,109
2018-2020	21,325
Total	\$ 56,870

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

(Continued)

**6. CAPITAL LEASES**

The Township entered into two lease/purchase agreements with Kansas State Bank of Manhattan for the purchase a 2007 dump truck and a 2010 dump truck. The prior audit report showed an outstanding balance on the 2007 dump truck as of 12/31/10 of \$19,106. The actual outstanding balance was \$15,981. The 2007 dump truck was paid off during 2012, and the payments for the lease/purchase agreement were made out of the Permissive Motor Vehicle License Tax and General Funds.

The balance outstanding of the 2010 dump truck as of 12/31/10 was \$29,963. The 2010 dump truck was paid off during 2012, and the payments for the lease/purchase agreement were made out of the Permissive Motor Vehicle License Tax and General Funds.

The Township also entered into a lease/purchase agreement with PNC Bank for the purchase of an ambulance. The balance outstanding of the ambulance as of 12/31/10 was \$125,286 and the payments for the lease/purchase agreement were made out of the Fire Levy Fund. The balance outstanding as of 12/31/12 was \$43,866.

The Township also entered into a lease/purchase agreement with Oshkosh Capital for the purchase of a Pierce fire truck. The balance outstanding of the ambulance as of 12/31/10 was \$162,273 and the payments for the lease/purchase agreement are made out of the Fire Levy Fund and the Ambulance Fund. The balance outstanding as of 12/31/12 was \$56,210.

The leases meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risk of ownership to the lessee.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2012.

Year ending December 31:	Pierce Fire	
	Ambulance	Truck
2013	<u>\$ 45,600</u>	<u>\$ 58,411</u>
Total	<u>\$ 45,600</u>	<u>\$ 58,411</u>

**7. RETIREMENT SYSTEMS**

The Township's certified Fire Fighters and full-time Police Officers belong to the Police and Fire Pension Fund (OP&F). Other employees belong to the Ohio Public Employees Retirement System (OPERS). OP&F and OPERS are cost-sharing, multiple-employer plans. The Ohio Revised Code prescribes these plans' benefits, which include postretirement healthcare and survivor and disability benefits.

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011  
(Continued)**

**7. RETIREMENT SYSTEMS (Continued)**

The Ohio Revised Code also prescribes contribution rates. For 2012 and 2011, OP&F participants contributed 10% of their wages. For 2012 and 2011, the Township contributed to OP&F an amount equal to 19.5% of full-time police members' wages and 24% of full-time fire fighters' wages, respectively. For 2012 and 2011, members of PERS contributed 10% of their gross salaries. The Township contributed an amount equal to 14% of participants' gross salaries. The Township has paid all contributions required through December 31, 2012.

**8. RISK MANAGEMENT**

The Township is exposed to various risks of property and casualty losses, and injuries to employees.

The Township insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The Township belongs to the Ohio Township Association Risk Management Authority (OTARMA), a risk-sharing pool available to Ohio townships. OTARMA provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (formally known as American Risk Pooling Consultants, Inc.) (York or Management), functions as the administrator of the Pool and provides underwriting claims, loss control, risk management, and reinsurance services for the Pool. Member governments pay annual contributions to fund OTARMA. OTARMA pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides OTARMA with an excess risk-sharing program. Under this arrangement, OTARMA retains insured risks up to an amount specified in the contracts. At December 31, 2012, OTARMA retained \$350,000 for casualty claims and \$250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge OTARMA's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

OTARMA's financial statements (audited by other accountants) conform with generally accepted accounting principles, and reported the following assets, liabilities and retained earnings at December 31, 2012 and 2011 (the latest information available):

	<u>2012</u>	<u>2011</u>
Assets	\$34,771,270	\$35,086,165
Liabilities	<u>(9,355,082)</u>	<u>(9,718,792)</u>
Net Position	<u>\$25,416,188</u>	<u>\$25,367,373</u>

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011  
(Continued)**

**8. RISK MANAGEMENT (Continued)**

Financial Position (Continued)

At December 31, 2012 and 2011, respectively, the liabilities above include approximately \$8.7 and \$9.1 million of estimated incurred claims payable. The assets above also include approximately \$7.96 and \$8.6 million of unpaid claims to be billed to approximately 944 member governments in the future, as of December 31, 2012 and 2011, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2012, the Township's share of these unpaid claims collectible in future years is approximately \$27,000.

Based on discussions with OTARMA, the expected rates OTARMA charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to OTARMA for each year of membership.

<b><u>Contributions to OTARMA</u></b>	
<b><u>2012</u></b>	<b><u>2011</u></b>
\$45,737	\$41,339

After one year of membership, a member may withdraw on the anniversary of the date of joining OTARMA, if the member notifies OTARMA in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

***Perry & Associates***  
Certified Public Accountants, A.C.  
www.perrycpas.com

MARIETTA  
428 Second Street  
Marietta, OH 45750  
(740) 373-0056  
(740) 373-2402 Fax

PARKERSBURG  
1035 Murdoch Avenue  
Parkersburg, WV 26101  
(304) 422-2203  
(304) 428-5587 Fax

ST. CLAIRSVILLE  
121 E. Main Street  
St. Clairsville, OH 43950  
(740) 695-1569  
(740) 695-5775 Fax

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

September 24, 2013

Franklin Township  
Franklin County  
2193 Frank Road  
Columbus, Ohio 43223

To the Board of Trustees:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of **Franklin Township**, Franklin County, Ohio, (the Township) as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements and have issued our report thereon dated September 24, 2013, wherein we noted the Township followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03 permits and has adopted Governmental Accounting Standards Board Statement No. 54.

***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the Township's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the Township's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying schedule of audit findings we identified certain deficiencies in internal control over financial reporting, that we consider material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Township's financial statements. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider findings 2012-001 through 2012-004 described in the accompanying schedule of audit findings to be material weaknesses.

***Compliance and Other Matters***

As part of reasonably assuring whether the Township's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed four instances of noncompliance or other matters we must report under *Government Auditing Standards* which are described in the accompanying schedule of audit findings as items 2012-003 through 2012-005.

We also noted certain matters not requiring inclusion in this report that we reported to the Township's management in a separate letter dated September 24, 2013.

***Entity's Response to Findings***

The Township's responses to the findings identified in our audit are described in the accompanying schedule of audit findings. We did not audit the Township's responses and, accordingly, we express no opinion on them.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Township's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,



**Perry and Associates**  
Certified Public Accountants, A.C.  
Marietta, Ohio

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b>
--

**FINDING NUMBER 2012-001**

**Material Weakness**

**Posting Receipts and Disbursements**

Receipts and disbursements should be posted to the fund and line item accounts as established by Ohio Administrative Code.

Receipts and disbursements were not always posted correctly. The following posting errors were noted:

- Intergovernmental receipts were recorded as Property and Other Local Taxes receipts in the General, Road & Bridge, Fire Levy, and Police Levy Funds in 2012. Also, an Intergovernmental receipt was recorded as a Miscellaneous receipt in the Enforcement and Education Fund in 2012.
- Property and Other Local Taxes receipts were recorded as Intergovernmental receipts in the General and Fire Levy Funds in 2011.
- Miscellaneous receipts were recorded as an Intergovernmental receipt in the General Fund, a License, Permits, and Fees receipt in the General Fund, a Property and Other Local Taxes receipt in the Road & Bridge Fund, and Other Financing Sources receipts in the Fire Levy Fund in 2011. Also, Miscellaneous receipts were recorded as Other Financing Sources receipts in the Fire Levy Fund in 2012.
- Several General Government, Public Safety, Public Works, and Capital Outlay disbursements were recorded as Other Financing Uses disbursements in several funds in 2012 and 2011.
- Lease payments were recorded as Other Financing Uses disbursements instead of Principal Retirement and Interest and Fiscal Charges disbursements in the General Fund in 2012 and the Fire Levy Fund in 2011.
- Interest payments were recorded as Principal Retirement disbursements instead of Interest and Fiscal Charges disbursements in the Fire Levy, Permissive Motor Vehicle License Tax, and Ambulance Services Funds in 2012 and the Permissive Motor Vehicle License Tax in 2011.

Not posting receipts and disbursements accurately resulted in the financial statements requiring several reclassifications. The financial statements reflect all reclassifications.

To help ensure accuracy and reliability in the financial reporting process, we recommend that management perform a detailed review of its draft financial statements. Such review should include procedures to ensure that all sources of revenues are properly identified and classified on the financial statements.

We also recommend the Fiscal Officer refer to Ohio Administrative Code Section 117-7-01 and/or the Ohio Township Handbook for guidance to determine the proper establishment of receipt and disbursement accounts and posting of receipts and disbursements.

**Management's Response** – I will go over line codes and try and get them right.

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
--

**FINDING NUMBER 2012-002**

**Material Weakness**

**Bank Reconciliations**

The Fiscal Officer did not prepare accurate monthly reconciliations of bank balances to book balances. Outstanding checks and deposits in transit were detailed to enable a proper reconciliation to be performed. However, the bank reconciliation did not correctly detail the Township's money market investment account in 2011. Part of the amount was included in "Other Adjusting Factors". The lack of proper reconciliations among the bank statements, cashbook and ledgers could result in numerous errors. The other reconciling item amounts were determined to be immaterial, but do need to be resolved.

We recommend the Fiscal Officer prepare detailed bank reconciliations that include all bank account balances being reconciled to total fund balances. Copies of bank reconciliations should be presented to the Board of Trustees for the Trustee's review and use in managing the Township. Other reconciling items should be traced down and identified accurately.

**Management's Response** – We changed banks and statements were hard to read.

**FINDING NUMBER 2012-003**

**Material Weakness/Noncompliance**

**OAG Opinion 99-105** states for the purposes of calculating the authorized compensation of the fiscal officer (pursuant to R.C. 507.09) and trustees (pursuant to R.C. 505.24), the term "budget" refers to the total amount of resources available to the township pursuant to the official certificate of estimated resources or amendments to the certificate, since the date of the certificate controls the salary amount.

**Ohio Rev. Code §507.09** provides the limit on the maximum compensation to be paid to a Township Fiscal Officer and the Trustees. In 2011, Franklin Township's total budget fell within a range setting the Trustees maximum salary allowable at \$15,998 for each year and the Fiscal Officer at \$24,355 per year.

In 2011, the Trustees received a salary in the amount of \$16,531.23 and the Fiscal Officer \$24,774.86. Based on Ohio Revised Code Section 507.09 and the Township's budget for the year, the Trustees were overpaid by \$533.23, each. The Fiscal Officer was overpaid by \$419.86, for a grand total of \$2,019.55 overpayment.

**Management's Response** – Year started out over 10 million in budgeted receipts then recertified. It went under 10 million so I adjusted pay but forgot to subtract the overpayment in the end.



**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY**

**SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

<b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)</b>
--

**FINDING NUMBER 2012-004**

**Material Weakness/Noncompliance**

**Advances**

In order to advance cash from one fund to another, Auditor of State Bulletin 97-003 suggests there must be statutory authority to use the money in the fund advancing the cash (the “creditor” fund) for the same purpose for which the fund receiving the cash (the “debtor” fund) was established. In addition, advances must be approved by a formal resolution of the taxing authority of the subdivision which must include: (1) a specific statement that the transaction is an advance of cash, and (2) an indication of the money (fund) from which it is expected that repayment will be made.

To provide money for the operations of each department, the Township advanced cash from the General Fund to the Road & Bridge and Fire Levy Funds in 2012 and the Fire Levy Fund in 2011. The Township did not indicate any plans of prepayment, and did not repay the advances in 2012 and only repaid a portion of the advances in 2011.

We recommend that the Township follow the guidance outlined in Auditor of State Bulletin 97-003 to initiate an advance. In addition, if the Township’s intent is to not repay the advance, the taxing authority should by Resolution turn the unpaid advance into a transfer if determined said transfer would be in compliance with Ohio Revised Code.

**Officials’ Response** – All advances and transfers did have resolutions in 2013. All advances were forgiven and turned into transfers.

**FINDING NUMBER 2012-005**

**Noncompliance**

**Ohio Revised Code § 5705.41(D)** requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required meeting any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance. Only the subdivision’s fiscal officer need sign the certificate. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

There are several exceptions to the standard requirement stated above that a fiscal officer’s certificate must be obtained prior to a subdivision or taxing authority entering into a contract or order involving the expenditure of money. The main exceptions are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

FRANKLIN TOWNSHIP  
FRANKLIN COUNTY

SCHEDULE OF AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (Continued)

FINDING NUMBER 2012-005 (Continued)

1. "Then and Now" certificate - If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the taxing authority can authorize the drawing of a warrant for the payment of the amount due. The taxing authority has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the taxing authority.
2. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.
3. Super Blanket Certificate – The entity may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. Only one super blanket certificate may be outstanding at a particular time for any one line-item appropriation.

The Township did not properly certify the availability of funds prior to purchase commitment for 91% of the expenditures tested during 2012 and 92% of the expenditures tested during 2011 and there was no evidence that the Township followed the aforementioned exceptions. Without these certifications, the management of the Township lost budgetary control over expenditures.

Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to assure that purchase commitments receive prior approval. To improve controls over disbursements and to help reduce the possibility of the Township's funds exceeding budgetary spending limitations, we recommend that the Fiscal Officer certify that the funds are or will be available prior to an obligation being incurred by the Township. When prior certification is not possible, "then and now" certification should be used.

**Management's Response** – I will bring this to the attention of the Board and it will be followed strictly.

**FRANKLIN TOWNSHIP  
FRANKLIN COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	Material Weakness – Posting Receipts and Disbursements	No	Not Corrected, Repeated as Finding 2012-001
2010-002	Noncompliance – ORC § 5705.41(D)	No	Not Corrected, Repeated as Finding 2012-005

**This page intentionally left blank.**



# Dave Yost • Auditor of State

**FRANKLIN TOWNSHIP**

**FRANKLIN COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 17, 2014**